

(916) 445-4583

December 22, 1981

In your letter of December 16, 1981, you ask our opinion as to the application of Proposition 13 to the following facts:

1. H and M, h/w, acquired the subject property on October 6, 1977.
2. H quitclaimed his interest in the property to his wife M on January 19, 1978.
3. A joint venture agreement was signed on January 14, 1978, whereby H transferred the property to the joint venture and received a 50 percent interest in the venture and J. M. and D. D. contributed cash and each received a 1/4 interest in the venture. This venture was never recorded and the property remained in the name of M until January 19, 1981.
4. On June 22, 1979, D. transferred his 1/4 interest in the joint venture to J. in exchange for another piece of property.
5. On January 19, 1981, E. P. quitclaimed any interest he had in the property of the joint venture to his wife, J. M.
6. By grant deed on January 7, 1981, N. F. purported to transfer the subject property to N. F. and J. M. as equal tenants in common.

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As an intrial starting point, it must be remembered that the rules concerning partnerships are equally applicable to joint ventures. A joint venture is ordinarily, but not necessarily, limited to a single transaction, Forbes v. Butler, 66 Utah, 373, 242 p. 950, which serves to distinguish it from a partnership, Barry v. Kern, 184 Wis. 266, 199 N.W. 77.

The acquisition of the property by H. I. and N. F. is considered a change in ownership under Section 60 of the Revenue and Taxation Code and requires 100 percent reappraisal. The quitclaim by H. I. to his wife N. is not a change in ownership because of Section 63 of the Revenue and Taxation Code.

The transfer of the property to the joint venture is a little more involved. For the 1978-79 tax year, partnerships and joint ventures were not regarded as legal entities. Accordingly, when the property was contributed to the joint venture, only 50 percent would be subject to reappraisal since N retained the other 50 percent interest in the property. However, when AB 1488 was enacted on July 10, 1979, it adopted the entity concept for partnerships and joint ventures. Since it was retrospective and applied to the 1979-80 years and thereafter, this would require that the total property be reappraised as of January 19, 1978, and factored forward by two percent and placed on the 1979-80 roll. An additional two percent would be added for 1980-81 and 1981-82 rolls. In this case, this would require escape assessments for 1979-80, 1980-81, and 1981-82.

The exchange (or transfer) of 1/4 interest in the joint venture would not constitute a change in ownership since only the interest of the joint venture was transferred and it was a continuing joint venture under Paragraph 2 of the agreement and did not result in a change in control.

The quitclaim deed of January 19, 1981, from E. P. to J. M. did not cause a reappraisal under one of two theories; namely, it was interspousal or the joint venture interest transferred was less than 50 percent.

The purported transfer of the property from N to herself and J. M. as tenants in common would not be considered a change in ownership since the property was still owned by the joint venture. The purported transfer only

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resulted in the joint venturers holding the property in their names for the benefit of the joint venture.

Very truly yours,

Glenn L. Rigby
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